

## REPORT FOLLOW-UP

## AGENCY: IDAHO TRANSPORTATION DEPARTMENT

On April 1, 2004, the Legislative Services Office released a *Management Report on Financial Procedures* for the Idaho Transportation Department for fiscal years 2001, 2002, and 2003. The Department was contacted on August 25, 2004, and this follow-up report addresses how the Department has responded to the three findings and recommendations contained in that report.

## STATUS OF RECOMMENDATIONS:

**FINDING #1** – Accounting for receipts at the Division of Aeronautics can be improved. The Department's Division of Aeronautics could improve accounting for receipts by billing and depositing collections in a timely manner, making reconciliations to ensure all amounts are properly collected, and monitoring and collecting receivables. The following explains:

- The Division does not always request reimbursement from the Federal Aviation Administration (FAA) in a timely manner. For example, the Division requested reimbursement of about \$130,000 for eligible costs incurred more than a year before, and \$233,000 for costs incurred over six months before.
- The Division sometimes held collections up to a month before making a deposit.
- The Division could not provide documentation that it monitored or tried to collect all in-State air transportation billings, some of which were billed a year ago.
- The Division could not explain why conference registration fees that were deposited did not agree with the amount reported as collected, or why, although some registrations showed that money was remitted, the amount was not recorded as collected.

**We recommended that the Division of Aeronautics improve internal controls and accounting procedures over receipts by billing and depositing all money in a timely manner, following up on past-due accounts, and reconciling fees collected with amounts deposited.**

**Audit Follow-up** – The Division has made improvements in all of these areas; however, only the in-State air transportation billings have been sufficiently resolved. Reimbursement requests to the FAA are made in a more timely manner, but some recent large dollar requests could have been made a month earlier. Deposits are monitored more closely by the Division, but not all were made in a timely manner as required by the Idaho Code. The Division intends to complete a reconciliation on fees collected upon receiving all related documentation from the latest aviation conference.

**Status – OPEN**

**Finding #2** – Controls over expenditures can be improved. Internal controls over the major processing systems for most of the Department's \$500 million in expenditures were good. However, controls can be improved for some types of transactions. For example:

- Monthly purchasing card (P-card) statements are not always signed by the cardholder. Requiring cardholders to sign monthly statements, thereby signifying agreement with charges to their P-cards, will reduce the risk that inappropriate charges will go undetected.
- Employees did not (1) sign travel vouchers, (2) provide dates, time, and destinations, (3) explain the mode of transportation, (4) report lodging information, nor (5) explain the purpose for the travel as required by Department policies. This information helps ensure that travel is valid and paid in accordance with State regulations.
- The Division of Aeronautics could not provide documentation explaining (1) why some airports were charged for supplies and others were not, (2) why the number of items billed

to airports did not always agree with the number of items shipped, and (3) how the amounts charged for supplies were calculated.

**We recommended that the Department improve internal controls of expenditures by requiring cardholders to review and approve P-card statements, complete travel vouchers in accordance with policies, and properly accounting for supply inventory transactions.**

**Audit Follow-up** – The Department has made improvements in its documentation of expenses relating to P-cards and travel vouchers. Also, the Division of Aeronautics is reducing its airport supply inventory and has implemented a policy to distribute some supply items at no cost to public-use airports. A tracking system will be used to monitor items supplied to the airports.

**Status – CLOSED**

**Finding #3 – The Division of Aeronautics' accounting for courtesy cars should be improved or the program modified.** The Division owns about 20 courtesy cars that are assigned to airports throughout the State. Courtesy cars provide ground transportation to visitors when transportation is unavailable or limited. The airports maintain the vehicles, collect user fees of about \$10,000 a year, and provide monthly usage and accounting reports to the Division. Some accounting problems with the program are:

- Courtesy car money has been stolen and, in some instances, cash shortages occurred but went undetected by the Division.
- Monthly airport reports were not accurate. Revenue amounts reported did not agree with amounts deposited, expenditures were not recorded on the financial reports, and beginning cash balances did not agree with the prior report's ending cash balances.
- Some airports do not reconcile the joint State and airport courtesy car checking account in a timely manner and some airports do not maintain a check register.
- Some airports deposit receipts to personal accounts before transferring them to the courtesy car checking account.

These problems are caused by the inherent risk and control issues of the program. At many airports there is an opportunity for fraud because one person has total control of the money and the accounting records. Also, many of the financial reporting errors were not questioned or investigated by the Division because employees are not properly trained to review financial reports.

**We recommended that the Division consider modifying the courtesy car program. Specifically, the Division should consider providing vehicles to the local airports and letting the airports operate the courtesy car program. If the Division decides not to modify the program, the Division should train the program manager to effectively monitor the financial operations of the program, and perform periodic reviews of the local airports' courtesy car program to ensure compliance with the agreements and State laws, and to ensure, as much as possible, adequate internal controls and accurate accounting.**

**Audit Follow-up** – The Division has made efforts to correct problems with this program. Management is currently investigating and evaluating various options available to the Division, but no major changes have been adopted. Despite these efforts, the program continues to have inaccuracies in its financial records and reports and the program manager has not yet received adequate training to successfully monitor the program's financial operations.

**Status – OPEN**